

WATER/TAC/AJT:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4428

October 2, 2003

R E S O L U T I O N

**(RES. W-4428), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM), SACRAMENTO DISTRICT. ORDER AUTHORIZING A SURCHARGE TO AMORTIZE THE BALANCE IN PURCHASE POWER BALANCING ACCOUNT PRODUCING ADDITIONAL ANNUAL REVENUE OF \$328,066 OR 2.02%.**

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SUMMARY

By Advice Letter No. 578, filed on March 17, 2003, Cal-Am seeks to amortize the net under-collection in the purchased power balancing account as of November 29, 2001, producing additional revenues for its Sacramento tariff area Schedule No. SAC-1, General Metered Service, Schedule No. SAC-2R, Residential Flat Rate Service, and Schedule No. SAC-4, Private Fire Protection Service, by assessing a surcharge of \$0.483 per Ccf, per customer for 12 months to recover a \$328,066 or 2.02% under-collection, including interest.

This increase is a result of increased costs for purchased power since Cal-Am's Sacramento District present rates became effective.

This resolution authorizes the above requested increase. The offset rate increase will not result in a rate of return greater than the last authorized for Cal-Am in Decision (D.) 98-10-056.

In this Advice Letter, Cal-Am is also seeking authorization for future revenue recovery for its Water Contamination Litigation and Placer County Water Agency (PCWA) Surface Water Procurement expenses balances authorized in Resolution Nos. W-4094 and W-4001, respectively. The contamination litigation and surface water expenses are being addressed in Cal-Am's currently pending rate case Application No. 02-09-030. This resolution hereby acknowledges the

filing in accordance with Ordering Paragraph No. 2 of D. 02-12-055 in Rulemaking No. 01-12-009 dated December 17, 2002 and will defer any such determinations to the rate case proceeding.

## **BACKGROUND**

Cal-Am serves 56,615 customers in its Sacramento District. Present rates in the Sacramento District were set during the last general rate case pursuant to D. 98-10-056 dated October 22, 1998. D. 01-09-057 dated September 20, 2001 pertained to acquisition of all of Citizens Utilities Company of California's assets by Cal-am and did not have an impact on rates set by D. 98-10-056.

Cal-Am requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset \$328,066 increase in purchased power costs. The purchased power rates increased when Sacramento Municipal Utility District (SMUD) increased its rates effective May 3, 2001.

This Advice Letter filing meets the requirements of Ordering Paragraph 2 of Commission D. 02-12-055, dated December 17, 2002. This ordering paragraph is discussed in the Discussion section of this resolution.

## **DISCUSSION**

Advice Letter No. 578 was filed in compliance with Ordering Paragraph 2 of D. 02-12-055, which states:

“Utilities requesting recovery of existing balancing accounts prior to November 29, 2001 shall file, within 90 days from the effective date of this decision, advice letters requesting recovery pursuant to the existing account procedures.”

The existing procedure for recovery of balancing accounts is as follows:

(1) Utilities, at their option, may request a surcharge once under-collections reach 2%; (2) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utility's next General Rate Case.

The Division has reviewed Cal-Am's request and supporting workpapers for Advice Letter No. 578 and determines this to be reasonable. Therefore, the

Division recommends that Cal-Am be authorized to increase revenue in its Sacramento District as follows:

<u>District</u>	<u>Ccf Surcharge</u>	<u>Revenue Increase</u>
Sacramento	\$0.483	2.02%

Effective May 3, 2001, SMUD increased rates for purchased power. This increase has resulted in a total purchased power unit cost of \$0.0922 per kilowatt-hour (kWh). This amount exceeds the \$0.0742 per kWh unit cost adopted in D. 98-10-056 by \$0.0180 per kWh. This rate increase has resulted in additional \$328,066 purchased power costs for Cal-Am, which were not covered by the rates authorized in D. 98-10-056 in 1998.

The increases in SMUD's purchased power costs are directly related to water consumption and therefore shall be applied to quantity rates for metered, private fire protection, and flat rate customers. Service is satisfactory. There are neither Commission orders requiring system improvements nor service problems requiring corrective action.

### **NOTICE AND PROTESTS**

Notice of the proposed rate increase was published on March 21, 2003 in the newspaper of general circulation as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

### **FINDINGS**

1. Cal-Am filed Advice Letter No. 578 for its Sacramento District, in compliance with ordering paragraph No. 2 of D. 02-12-055 which states:

“Utilities requesting recovery of existing balancing accounts prior to November 29, 2001 shall file, within 90 days from the effective date of this Decision, advice letters requesting recovery pursuant to the existing balancing account procedures.”

2. Existing procedure for recovery of balancing accounts is as follows:
  - (1) Utilities, at their option, may request a surcharge once under-collections

- reach 2%; (2) Otherwise, balancing account review and recovery of remaining balances are processed at the time of the utilities next general rate case.
3. The offset increase sought by Cal-Am is based on increase in purchased power costs imposed by Sacramento Municipal Utility District May 3, 2001.
  4. The May 3, 2001 purchased power increase was not included in rates authorized in Cal-Am's last general rate case.
  5. The surcharge for purchased power shall be set at \$0.483 per customer per month for a period of 12 months.
  6. The Commission finds, after investigation by the Water Division, that the changes hereby authorized are justified and the resulting rates are just and reasonable.
  7. In this Advice Letter, Cal-Am is also seeking authorization for future revenue recovery for its Water Contamination Litigation and Placer County Water Agency (PCWA) Surface Water Procurement expenses balances authorized in Resolution Nos. W-4094 and W-4001, respectively. This resolution hereby acknowledges the filing for recovery of existing balancing accounts prior to November 29, 2001 in accordance with Ordering Paragraph No. 2 of D. 02-12-055 in Rulemaking No. 01-12-009 dated December 17, 2002.
  8. The contamination litigation and surface water expenses are being addressed in Cal-Am's currently pending rate case Application No. 02-09-030.

**THEREFORE IT IS ORDERED THAT:**

1. California-American's Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. SAC-1, General Metered Service, Schedule No. SAC-2R, Residential Flat Rate Service, and Schedule No. SAC-4, Private Fire Protection Service, attached to Advice Letter No. 578, and to cancel the corresponding presently effective rate schedules
2. California American Water Company is directed to maintain a balancing account as required by Public Utilities Code Section 792.5.

This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 2, 2003; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director